



IN REPLY REFER TO

DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

PPD 730.5.35.1

February 17, 2005
05-PPD-020(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance on Overdue Incurred Cost Proposals from Non-DoD Contractors

Background

During the September 2004 Executive Steering Committee (ESC) meeting, there was a discussion regarding the handling of overdue indirect cost rate proposals from non-DoD contractors. The process incorporated into CAM 6-707.2 for obtaining overdue proposals, including requesting the contracting officer to exercise his/her authority under FAR 42.703-2(c)(1) and FAR 42.705(c)(1) and take unilateral action to establish rates or final contract costs for the contractor's fiscal year, was coordinated with the Defense Contract Management Agency (DCMA). However, that level of coordination did not occur with our civilian agency customers. Further, some civilian agency customers are not in agreement with our unilateral recommendation process or want to consider DCAA's future involvement in obtaining and auditing delinquent submissions on a case-by-case basis. As a result, a number of overdue non-DoD contractor submissions continue to be tracked and reported on to management, but FAOs have no recourse to resolve the outstanding submission condition. To bring closure to this condition, Policy was tasked, under ESC Action Item E04-9-10, to establish procedures for following up on these contractors and a process to discontinue tracking them in DMIS if no further FAO involvement is required by the non-DoD customer.

Guidance

Enclosed with this memorandum is a proforma letter that is to be sent to the civilian agency contracting officer (CO) for those instances where the submission is at least six months overdue (i.e., 12 months from the contractor's fiscal year end). The letter:

- informs the CO that the submission is overdue and requests their assistance in obtaining the submission;
- recommends that if the CO is unable to obtain an adequate submission, the CO should exercise his/her authority under FAR 42.703-2(c)(1) and FAR 42.705(c)(1) and take unilateral actions to establish rates or final contract costs;
- advises the CO that if he/she is unsuccessful in obtaining the submission in the prescribed timeframe and/or is unable to make a unilateral decision, we will no longer actively pursue obtaining the submission and, in turn, will remove it from our inventory of open contractor fiscal years requiring audit;
- advises that we will prioritize a subsequent audit of that contractor's submission only after receipt of the CO's request, together with an adequate indirect cost rate proposal.

The proforma letter emphasizes that this is not intended to be a refusal to perform the audit, but rather a process to ensure field audit office resources are effectively expended at those contractor locations where CO assistance is required. FAOs may modify the proforma letter to fit specific circumstances with their civilian customers.

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DMIS Guidance

When the FAO has determined, based on the CO response to the aforementioned letter, that it is appropriate to remove a non-DoD contractor open fiscal year in DMIS, the following guidance applies:

For CFY Assignments in Inventory

- FAOs may *delete* the assignment if it is designated as being in the *Inventory* status. During the process of deleting the assignment, if the FAO receives a message that there are incurred cost roll-up hours for CCFY effort (103XX, 11XXX-14XXX, 194XX) associated with that CFY, the FAO must either (1) move the assignment to the *Open* status and then disposition it as cancelled or (2) contact their regional DMIS administrator to have the assignment manually deleted.
- FAOs may move the assignment to the *Open* status and then *cancel* it. Canceling an assignment instead of deleting it would leave an audit trail and allow the FAO to reopen the assignment, if necessary, within the same fiscal year.

For CFYs Where an Assignment is Open

- FAOs may *cancel* the assignment where no dollars have been reported.
- FAOs may close the assignment as “*N - No Report Issued*” where audit effort previously performed warranted reporting the dollars audited.

Cancelled assignments or those closed as “*N - No Report Issued*” will be purged from DMIS during year-end processing. Subsequently, if the FAO receives a request for audit, along with an adequate submission, the FAO should set up a new assignment or contact its regional DMIS Administrator to bring the previously purged assignment into the current fiscal year. Prior to fiscal year-end, the assignment can be reopened from the *Disposition* tab, by selecting *Process*, then selecting *Clear Disposition Tab*.

Conclusion

FAOs with questions regarding this memorandum should contact their regional offices. Regions with questions should contact Ms. Patricia Letzler, Program Manager, Policy Programs Division at (703) 767-2270, by fax 703-767-3283, or e-mail dcaa-ppd@dcaa.mil.

/Signed/

Robert DiMucci
Assistant Director
Policy and Plans

Enclosure:

Proforma Letter to Non-DoD Customers

DISTRIBUTION: C

Pro forma Letter to Non-DoD Customers

[CIVILIAN AGENCY CONTRACTING OFFICER]

[Address]

[City, State, Zip Code]

SUBJECT: Failure of [_____] Company] to Comply with FAR 52.216-7(d)(2)

The subject contractor has failed to submit to this office for audit its certified indirect cost rate proposal(s) for the fiscal year(s) ended _____, as required by FAR 52.216-7(d)(2). In addition, the contractor has not responded to our follow-up requests for the proposal. This contractor fiscal year (CFY) will be at least _____ months old as of _____. In our opinion, this is an unreasonable period of time and requires immediate action.

We request your assistance in obtaining the contractor proposal for this contractor fiscal year (CFY). If it does not appear probable to you that the proposal can be obtained, we recommend that you exercise the authority granted to you under FAR 42.703.2(c)(2) and/or FAR 42.705(c)(1), and consider issuing a unilateral decision on the appropriate CFY contract costs. We are available to provide you with any assistance you may require in carrying out this decision. Please inform us as soon as possible if our assistance will be required.

In the event you are unsuccessful in obtaining _____ Company's proposal and/or are precluded from making a unilateral decision, please be advised that we will no longer actively pursue obtaining the delinquent indirect cost rate proposal(s) and will remove the applicable CFY from our incurred cost audit inventory. Only upon your subsequent audit request, together with the receipt of an adequate proposal, will the subject CFY be returned to our active workload and properly prioritized for audit. These actions do not, in any way, preclude an audit from being performed once an adequate submission is obtained, but assist our office in applying its resources in the most efficient and effective manner.

Please inform us within 30 days as to how you wish to proceed. Please direct any questions on this letter to _____, Supervisory Auditor, at _____.

John J. Jones
Branch Manager

Enclosure